

BEFORE THE IDAHO PUBLIC UTILITIES COMMISSION

IN THE MATTER OF THE APPLICATION OF)	
IDAHO POWER COMPANY FOR APPROVAL)	CASE NO. IPC-E-04-5
OF AN AGREEMENT FOR SALE AND)	
PURCHASE OF ELECTRIC ENERGY)	NOTICE OF APPLICATION
BETWEEN IDAHO POWER COMPANY AND)	
RENEWABLE ENERGY OF IDAHO, INC.)	NOTICE OF MODIFIED
)	PROCEDURE
)	
)	NOTICE OF COMMENT/
)	PROTEST DEADLINE

YOU ARE HEREBY NOTIFIED that on February 19, 2004, Idaho Power Company (Idaho Power; Company) filed an Application with the Idaho Public Utilities Commission (Commission) requesting approval of a Firm Energy Sales Agreement (Agreement) between Idaho Power and Renewable Energy of Idaho, Inc. (Renewable Energy) dated February 12, 2004.

Renewable Energy proposes to design, construct, install, own, operate and maintain a 17.5 megawatt (MW) biomass (primarily wood waste) generating facility to be located at the old Boise Cascade Plant site near Emmett, Idaho (the Project). The Project will be a qualified small power production facility (QF) under the Public Utilities Regulatory Policies Act of 1978 (PURPA).

Under the terms of the Agreement, Renewable Energy has elected to contract with Idaho Power for a 20-year term. The Agreement contains non-levelized published avoided cost rates as currently established by the Commission for energy less than 10 MW and a negotiated price for energy over 10 MW.

As in recent prior submitted agreements, Idaho Power utilizes a cogeneration small power producer (CSPP; QF) agreement that is consistent for all CSPP projects regardless of their resource (wind, hydro, geothermal, wood waste, etc.) and that incorporates (1) current IPUC Orders, (2) current technologies, and (3) current utility industry standards. The submitted Agreement, the Company states, contains many of these concepts as well as unique negotiated

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provisions due to the fact that the Project wishes to routinely deliver more than 10 MW to Idaho Power. The following is a brief description of some of these concepts and unique provisions:

A: Ten MW or Smaller Project Size and Eligibility for the Published Avoided Cost Rate: Noting that the Commission has established a 10 MW size limit for PURPA projects eligible for QF published avoided cost rates, Idaho Power points out that the Commission did not specify how the 10 MW limit was to be measured. Historically, the Company recognizes, the nameplate rating of the facility has been considered to be the measurement for this limit. Idaho Power suggests in this filing that it is reasonable that this limitation be based on that energy delivery to the utility and not nameplate rating.

Many QF facilities, due to less than 100% capacity factors and unknown incremental fuel supplies, the Company contends, are not able to commit to a long-term firm commitment of the incremental energy production above 10 MW. To address this issue, Idaho Power has developed the concept of "Optional Energy." The concept of Optional Energy, the Company contends, maintains the integrity of the 10 MW limitation and the QF published avoided cost rates but also allows the project developer the ability to assess its specific facility's performance, capital cost and other risk/benefit factors in designing the size of the QF's individual facilities.

Optional Energy is all energy that the Project delivers to Idaho Power that exceeds 10,000-kilowatt hours in a single hour, typically non-firm energy, as defined in ¶ 1.18 of the Agreement. Optional Energy is identified through hourly metering. The price of this energy is a price negotiated between Idaho Power and the specific project. As non-firm energy, Idaho Power considers the value of this energy to be a variable current month market based price.

Renewable Energy requested that fixed prices be established for its Optional Energy rather than receiving the monthly variable market prices. Idaho Power and Renewable Energy, therefore, negotiated fixed prices for the Optional Energy (Section 7.5 of the Agreement) in consideration of the Project providing year-ahead firm commitments of the monthly Optional Energy amounts (Section 6.4 of the Agreement).

Also applying to this Optional Energy, are Company-developed Shortfall and Surplus Energy concepts (Sections 7.7 and 7.8 of the Agreement), as previously included in the Company's Tiber Montana LLC contract approved by the Commission in Order No. 29232 and

the recently submitted Agreement with United Materials of Great Falls, Inc. (Case No. IPC-E-04-1).

B. Seasonality: As an incentive for Renewable Energy to deliver energy to the Company during times when it is of greater value to Idaho Power, the Company has refined the seasonalization of rates to coincide to the months in which Idaho Power has identified actual energy needs and periods of higher demand. Reference Agreement Sections 6.2, 7.1 and 7.5.

C. Environmental Attributes: As reflected in Agreement Section 8, Idaho Power notes that it has filed a Petition with the Commission in Case No. IPC-E-04-2 seeking a Commission ruling concerning whether the environmental attributes associated with a QF project are owned by the project or the utility at the time a utility purchases electricity from a QF project. The Commission's final Order will be included and become an integral part of the Agreement. Renewable Energy reserves the right to cancel the Agreement within 30 days of the Commission's final Order regarding Idaho Power's Petition.

Agreement Section 24 provides that the Agreement will not become effective until the Commission has approved without change all the Agreement terms and conditions and declared that all payments that Idaho Power makes for purchases of energy to Renewable Energy will be allowed as prudently incurred expenses for ratemaking purposes. Should the Commission approve the Agreement, Idaho Power intends to consider the effective date of the Agreement to be February 12, 2004. As reflected in the Company's Application, the Agreement contains non-levelized published avoided cost rates in conformity with applicable Commission Orders.

Idaho Power requests that the Commission issue an Order approving the Firm Energy Sales Agreement between Idaho Power Company and Renewable Energy of Idaho, Inc. without change or condition. The Company further requests a Commission finding that all payments for purchases of energy under the Agreement will be allowed as prudently incurred expenses for ratemaking purposes.

YOU ARE FURTHER NOTIFIED that the Commission has reviewed the filings of record in Case No. IPC-E-04-5. The Commission has preliminarily found that the public interest in this matter may not require a hearing to consider the issues presented, and that issues raised by

the Company's filing may be processed under **Modified Procedure**, i.e., by written submission rather than by hearing. Reference Commission Rules of Procedure, IDAPA 31.01.01.201-204.

YOU ARE FURTHER NOTIFIED that **the deadline for filing written comments or protests** with respect to Idaho Power's Application and the Commission's use of Modified Procedure in **Case No. IPC-E-04-5** is **Wednesday, April 7, 2004**. Persons desiring a hearing must specifically request a hearing in their written protests or comments.

YOU ARE FURTHER NOTIFIED that if no written comments or protests are received within the deadline, the Commission may consider the matter on its merits and enter its Order without a formal hearing. If comments or protests are filed within the deadline, the Commission will consider them and in its discretion may set the matter for hearing or may decide the matter and issue its Order based on the written positions before it. Reference IDAPA 31.01.01.204.

YOU ARE FURTHER NOTIFIED that written comments concerning Case No. IPC-E-04-5 should be mailed to the Commission and the Company at the addresses reflected below.

COMMISSION SECRETARY
IDAHO PUBLIC UTILITIES COMMISSION
PO BOX 83720
BOISE, IDAHO 83720-0074

Street Address for Express Mail:

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All comments should contain the case caption and case number shown on the first page of this document. Persons desiring to submit comments via e-mail may do so by accessing the Commission's home page located at www.puc.state.id.us. Click the "Comments and Questions"

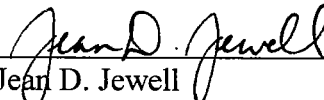
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icon, and complete the comment form, using the case number as it appears on the front of this document. These comments must also be sent to the Applicant at the e-mail addresses listed above.

YOU ARE FURTHER NOTIFIED that if no written comments or protests are received within the time limit set, the Commission will consider this matter on its merits and enter its Order without a formal hearing. If written comments are received within the time limit set, the Commission will consider them and, in its discretion, may set the same for formal hearing

YOU ARE FURTHER NOTIFIED that the Application in Case No. IPC-E-04-5 may be viewed www.puc.state.id.us by clicking on "File Room" and "Electric Cases," or can be viewed during regular business hours at the Idaho Public Utilities Commission, 472 West Washington Street, Boise, Idaho and at the general business office of Idaho Power Company, 1221 West Idaho Street, Boise, Idaho.

DATED at Boise, Idaho this 16th day of March 2004.



Jean D. Jewell
Commission Secretary

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